

Celaya, Cleveland, Colquitt, Davis of Haskell, Davis of Jasper, Davison of Fisher, Davisson of Eastland, Dean, Deglandon, Derden, Dickison, Dollins, England, Farmer, Felty, Fielden, Fox, Fuchs, Gibson, Graves, Hamilton, Hankamer, Hanna, Harbin, Hardin, Harper, Harrell, Harris of Dickens, Harris of Archer, Harris of Dallas, Hartzog, Heflin, Herzik, Holland, Hoskins, Howard, Huddleston, Hull, Hyder, Jackson, James, Johnson of Tarrant, Johnson of Ellis, Jones of Falls, Jones of Angelina, Keefe, Keith, Kelt, Kenyon, Kern, King, Knetsch, Langdon, Lankford, Lanning, Leath, Leonard, Leyendecker, Little, Loggins, London, Lucas, Mann, Mauritz, Mays, McConnell, McCracken, McDonald, McFarland, McKee, McKinney, Moffett, Monkhouse, Morris, Morse, Newton, Nicholson, Oliver, Palmer, Patterson of Travis, Patterson of Mills, Petsch, Pope, Powell, Prescott, Quinn, Ragsdale, Reader, Reed of Bowie, Reed of Dallas, Rhodes, Riddle, Roark, Ross, Russell, Rutta, Schuenemann, Settle, Sewell, Sharpe, Shell, Simpson, Skaggs, Smith of Hopkins, Smith of Tarrant, Smith of Matagorda, Stevenson, Stinson, Stocks, Talbert, Tarwater, Tennant, Tennyson, Thornton, Vale, Waggoner, Walker, Weldon, Westbrook, Winfree, Wood and Worley.

On the motion of Mr. Harris of Archer, the names of all the Members of the House were added to the resolution as signers thereof.

The resolution was unanimously adopted.

HOUSE BILL ON FIRST READING

The following House bill, introduced today, was laid before the House, read first time, and referred to the appropriate committee, as follows:

By Mr. Hyder:

H. B. No. 1, A bill to be entitled "An Act making an appropriation of the sum of Two Hundred and Fifty Thousand (\$250,000.00) Dollars or so much thereof as may be necessary, out of any funds in the State Treasury, not otherwise appropriated, to pay the contingent expenses, and to pay the mileage and per diem of Members and the per diem of officers and employees of the Regular Session of the Forty-fifth Legislature, and to pay any unpaid accounts of the Third Called

Session of the Forty-fourth Legislature, and declaring an emergency."

Referred to the Committee on Appropriations.

LEAVE OF ABSENCE GRANTED

(By unanimous consent)

Mr. Jones of Atascosa was granted leave of absence for this afternoon on account of illness on motion of Mr. Davis of Haskell.

ADJOURNMENT

On motion of Mr. Knetsch, the House at 5.45 o'clock p. m., adjourned until 10:00 o'clock a. m., tomorrow.

SECOND DAY

(Wednesday, January 13, 1937)

The House met at 10:00 o'clock a. m., pursuant to adjournment, and was called to order by Speaker Calvert.

The roll of the House was called, and the following Members were present:

Mr. Speaker	Derden
Adkins	Dickison
Alexander	Dollins
Alsup	England
Amos	Farmer
Baker	Felty
Bates	Fielden
Beckworth	Fox
Bell	Fuchs
Blankenship	Gibson
Boethel	Graves
Bond	Hamilton
Boyer	Hankamer
Bradbury	Hanna
Bradford	Harbin
Bridgers	Hardin
Broadfoot	Harper
Brown	Harrell
Burton	Harris of Archer
Cagle	Harris of Dallas
Callan	Harris of Dickens
Carsow	Hartzog
Cathey	Heflin
Celaya	Herzik
Cleveland	Holland
Colquitt	Hoskins
Davis of Haskell	Howard
Davis of Jasper	Huddleston
Davison of Fisher	Hull
Davisson	Hyder
of Eastland	Jackson
Dean	James
Deglandon	Johnson of Ellis

Johnson	Powell
of Tarrant	Prescott
Jones of Angelina	Quinn
Jones of Falls	Ragsdale
Jones of Wise	Reader
Kelt	Reed of Bowie
Kenyon	Reed of Dallas
Kern	Rhodes
King	Riddle
Knetsch	Roark
Langdon	Ross
Lankford	Russell
Lanning	Rutta
Leath	Schuenemann
Leonard	Settle
Leyendecker	Sewell
Little	Sharpo
Loggins	Shell
London	Simpson
Lucas	Skaggs
Mann	Smith of Hopkins
Mauritz	Smith
Mays	of Matagorda
McConnell	Smith of Tarrant
McCracken	Stevenson
McDonald	Stinson
McFarland	Stocks
McKee	Talbert
McKinney	Tarwater
Metcalfe	Tennant
Moffett	Tennyson
Monkhouse	Thornberry
Morris	Thornton
Morse	Vale
Oliver	Waggoner
Palmer	Walker
Patterson of Mills	Weldon
Patterson	Westbrook
of Travis	Winfree
Petsch	Wood
Pope	Worley

Absent

Newton Nicholson

Absent—Excused

Jones of Atascosa Keith
Keefe

A quorum was announced present.

Rev. George W. Coltrin, Chaplain,
offered prayer.

LEAVES OF ABSENCE GRANTED

The following Members were
granted leaves of absence on account
of illness:Mr. Jones of Atascosa for yesterday
and today, on motion of Mr. Metcalfe.Mr. Keefe for yesterday and today,
on motion of Mr. Thornton.Mr. Keith for today, on motion of
Mr. Waggoner.EXTENDING SYMPATHY TO DR.
AND MRS. W. W. MATTSONMr. Harrell offered the following
resolution:H. C. R. No. 1, Extending sympathy
to Dr. and Mrs. W. W. Mattson.Whereas, The ten-year old boy,
Charles Mattson, was abducted from
his home in Tacoma, Washington, on
December 27, 1936; andWhereas, The body of this child was
found in a shallow ditch in a wooded
section near a lonely highway in the
vicinity of Everett, Washington, on
Monday, January 11, 1937, the victim
of a murderous kidnaper; andWhereas, This tragedy has shocked
the Nation and strikes at the very
foundation of civilized society, the
family and the home; andWhereas, Our deepest sympathies
are felt for the bereaved parents of
this child; therefore, be itResolved by the House of Repre-
sentatives, the Senate concurring, That
we extend to Dr. and Mrs. W. W.
Mattson of Tacoma, Washington, our
condolence and deepest sympathy at
the loss of their son as a victim of so
dastardly a crime and sincerely hope
that the efforts of the Law Enforce-
ment Officers of the State of Wash-
ington and of the Federal Government
will be rewarded in the early appre-
hension of the perpetrators of this hor-
rible crime at the earliest possible
time; and, be it furtherResolved, That a copy of this resolu-
tion be forwarded to Dr. W. W. Matt-
son and his family at Tacoma, Wash-
ington, and a copy furnished the Hon-
orable Homer Cummings, Attorney
General of the United States.The resolution was read second
time.Signed—Calvert, Speaker; Adkins,
Alexander, Alsup, Amos, Baker, Bates,
Beckworth, Bell, Blankenship, Boethel,
Bond, Boyer, Bradbury, Bradford,
Bridgers, Broadfoot, Brown, Burton,
Cagle, Callan, Carssow, Cathey, Ce-
laya, Cleveland, Colquitt, Davis of
Haskell, Davis of Jasper, Davison of
Fisher, Davisson of Eastland, Dean,
Deglandon, Derden, Dickison, Dollins,
England, Farmer, Felty, Fielden, Fox,
Fuchs, Gibson, Graves, Hamilton, Han-
kamer, Hanna, Harbin, Hardin, Har-
per, Harris of Archer, Harris of Dal-

las, Harris of Dickens, Hartzog, Heflin, Herzik, Holland, Hoskins, Howard, Huddleston, Hull, Hyder, Jackson, James, Johnson of Ellis, Johnson of Tarrant, Jones of Angelina, Jones of Atascosa, Jones of Falls, Jones of Wise, Keefe, Keith, Kelt, Kenyon, Kern, King, Knetsch, Langdon, Lankford, Lanning, Leath, Leonard, Leyendecker, Little, Loggins, London, Lucas, Mann, Mauritz, Mays, McConnell, McCracken, McDonald, McFarland, McKee, McKinney, Metcalfe, Moffett, Monkhouse, Morris, Morse, Newton, Nicholson, Oliver, Palmer, Patterson of Mills, Patterson of Travis, Petsch, Pope, Powell, Prescott, Quinn, Ragsdale, Reader, Reed of Bowie, Reed of Dallas, Rhodes, Riddle, Roark, Ross, Russell, Rutta, Schuenemann, Settle, Sewell, Sharpe, Shell, Simpson, Skaggs, Smith of Hopkins, Smith of Matagorda, Smith of Tarrant, Stevenson, Stinson, Stocks, Talbert, Tarwater, Tennant, Tennyson, Thornberry, Thornton, Vale, Waggoner, Walker, Weldon, Westbrook, Winfree, Wood and Worley.

On the motion of Mr. Bradford, the names of all the Members of the House were added to the resolution as signers thereof.

The resolution was unanimously adopted by a rising vote.

FIXING COMPENSATION OF OFFICERS OF THE HOUSE OF REPRESENTATIVES

Mr. Jones of Wise offered the following resolution:

Be It Resolved by the House of Representatives, That the compensation of the elected officials of the House be fixed as follows:

Chief Clerk	\$8.50 per day.
Sergeant-at-Arms	\$8.50 per day
Reading Clerk	\$8.50 per day
Journal Clerk	\$8.50 per day
Engrossing Clerk	\$8.50 per day
Enrolling Clerk	\$8.50 per day
Doorkeeper	\$7.50 per day
Assistant Door-keeper	\$7.50 per day
Assistant Reading Clerk	\$6.00 per day
Calendar Clerk	\$8.50 per day
Chaplain	\$7.50 per day

LEONARD,
WALKER,
MORSE,
HYDER,
JONES of Wise.

The resolution was read second time, and was adopted.

FIXING PER DIEM OF MEMBERS OF THE FORTY-FIFTH LEGISLATURE

Mr. Hyder offered the following resolution:

H. C. R. No. 2, Fixing Per Diem of Members of the Forty-fifth Legislature.

Be It Resolved by the House of Representatives, the Senate of the State of Texas concurring, That the pay of the Members of the Regular Session of the Forty-fifth Legislature be, and is hereby, fixed at ten dollars (\$10.00) per diem; and, be it further

Resolved, That, in addition to the per diem, the Members of each House shall be entitled to mileage in going to and returning from the seat of Government, which mileage shall be Two Dollars and Fifty Cents (\$2.50) for every twenty-five miles travelled, the distance to be computed by the nearest and most direct route of travel, from a table of distances prepared by the Comptroller, to each county seat now or hereafter to be established; no Member to be entitled to mileage for any extra session that may be called in one (1) day after the adjournment of the Regular or any Called Session of this Legislature.

The resolution was read second time, and was adopted.

BILL ORDERED NOT PRINTED

On motion of Mr. Hyder, House Bill No. 1 was ordered not printed.

NAMING QUEEN OF MASCOTS OF THE HOUSE

Mr. Settle offered the following resolution:

Whereas, We have with us today the proper person for the office of "Queen of Mascots" of the House of Representatives for the Forty-fifth Legislature; therefore, be it

Resolved, That Doris Marie James, daughter of one of our distinguished Members, be, and she is hereby, officially named by this House as Queen of Mascots of the House of Representatives for the Forty-fifth Legislature of the State of Texas; and, be it further

Resolved, That said Queen of Mascots have her picture made and placed

with the Members of the House in the official group of this Body, when and if said official group picture is provided for.

The resolution was read second time, and was adopted.

**EXTENDING REGRETS AT
RESIGNATION OF HON.
STANFORD PAYNE**

Mr. Knetsch offered the following resolution:

Whereas, The Honorable Stanford Payne, as a Member of the House of Representatives, Forty-fourth Legislature served with honor, outstanding ability and credit to himself and rendered faithful and efficient and valuable service to the State of Texas; and

Whereas, The Honorable Stanford Payne, with his pleasing personality, courteous and affable association with the rest of the Members of the Forty-fourth Legislature, endeared himself to all of us, and by his gentlemanly conduct at all times, proved himself to be, not only a man of high ideals, but also a most valuable member of the Legislature and a true servant of the people; and

Whereas, On Tuesday, January 12th, 1937, the Honorable Stanford Payne resigned, as a Member of the House of Representatives, of the Forty-fifth Legislature to accept a position with the Health Department of the State of Texas; and

Whereas, We regret exceedingly to lose so valuable and outstanding Member as the Honorable Stanford Payne; now, therefore, be it

Resolved, That we the Members of the House of Representatives of the Forty-fifth Legislature hereby extend to the Honorable Stanford Payne our sincere regrets at his leaving us and assure him of our good will and best wishes in his new undertaking and wish for him every success in that field; and, be it further

Resolved, That in the resignation of the Honorable Stanford Payne, the House of Representatives of the State of Texas has lost one of its most valuable Members; however, we are consoled in the knowledge that our loss is the other's gain; be it further

Resolved, That the Chief Clerk of the House of Representatives forward immediately to the Honorable Stanford Payne a copy of this resolution, that the same be also printed in the

Journal of the House of Representatives.

**KNETSCH,
McKEE.**

The resolution was read second time, and was adopted.

**PROVIDING FOR THE APPOINTMENT OF COMMITTEES TO
NOTIFY THE GOVERNOR
AND SENATE OF ORGANIZATION OF
THE HOUSE**

Mr. England offered the following resolution:

Be It Resolved by the House of Representatives, That the Speaker appoint two committees of five Members each, one to notify the Governor and the other to notify the Senate, that the House of Representatives is now organized and ready to transact business.

The resolution was read second time, and was adopted.

In accordance with the above action, the Speaker announced the appointment of the following committees:

To notify the Governor: Messrs. England, Stevenson, Farmer, Broadfoot and Talbert.

To notify the Senate: Messrs. Hartzog, Dean, Leath, Johnson of Ellis and Fielden.

**HOUSE BILL NO. 1 ON SECOND
READING**

On motion of Mr. Hyder, the Twenty-four Hour House Rule, relative to the consideration of printed bills, was suspended at this time for the purpose of considering House Bill No. 1.

The Speaker then laid before the House, on its second reading and passage to engrossment,

H. B. No. 1, A bill to be entitled "An Act making an appropriation of the sum of Two Hundred and Fifty Thousand (\$250,000.00) Dollars or so much thereof as may be necessary, out of any funds in the State Treasury, not otherwise appropriated, to pay the contingent expenses, and to pay the mileage and per diem of Members and the per diem of officers and employees of the Regular Session of the Forty-fifth Legislature, and to pay any unpaid accounts of the Third Called Session of the Forty-fourth Legislature, and declaring an emergency."

The bill was read second time, and was passed to engrossment.

HOUSE BILL NO. 1 ON THIRD
READING

Mr. Hyder moved that the constitutional rule, requiring bills to be read on three several days, be suspended, and that House Bill No. 1 be placed on its third reading and final passage.

The motion prevailed by the following vote:

Yeas—109

Adkins	Jones of Angelina
Alexander	Jones of Falls
Alsup	Jones of Wise
Amos	Kelt
Bates	Kern
Beckworth	King
Bell	Knetsch
Blankenship	Langdon
Boethel	Lanning
Bond	Leyendecker
Boyer	Little
Bradbury	Loggins
Bradford	London
Bridgers	Lucas
Burton	Mays
Cagle	McConnell
Callan	McCracken
Carssow	McDonald
Cleveland	McFarland
Colquitt	McKinney
Davis of Haskell	Metcalf
Davis of Jasper	Moffett
Davison of Fisher	Monkhouse
Davison	Morris
of Eastland	Oliver
Deglandon	Patterson
Derden	of Travis
Dickison	Petsch
Dollins	Pope
Farmer	Quinn
Fox	Ragsdale
Gibson	Reed of Bowie
Graves	Reed of Dallas
Hamilton	Rhodes
Hankamer	Riddle
Hanna	Roark
Harbin	Ross
Harper	Russell
Harrell	Rutta
Harris of Archer	Settle
Harris of Dallas	Sewell
Harris of Dickens	Simpson
Heflin	Skaggs
Herzik	Smith of Hopkins
Holland	Smith of Tarrant
Howard	Stinson
Huddleston	Stocks
Hyder	Talbert
Jackson	Tarwater
James	Tennant
Johnson of Ellis	Tennyson
Johnson	Thornberry
of Tarrant	Thornton

Waggoner
Walker
WeldonWinfree
Wood
Worley

Absent

Baker	Mauritz
Broadfoot	McKee
Brown	Morse
Cathey	Newton
Celaya	Nicholson
Dean	Palmer
England	Patterson of Mills
Felty	Powell
Fielden	Prescott
Fuchs	Reader
Hardin	Schuenemann
Hartzog	Sharpe
Hoskins	Shell
Hull	Smith
Kenyon	of Matagorda
Lankford	Stevenson
Leath	Vale
Leonard	Westbrook
Mann	

Absent—Excused

Jones of Atascosa Keith
Keefe

The Speaker then laid House Bill No. 1 before the House on its third reading and final passage.

The bill was read third time, and was passed by the following vote:

Yeas—119

Adkins	Dollins
Alexander	Farmer
Alsup	Fox
Amos	Gibson
Baker	Graves
Bates	Hamilton
Beckworth	Hankamer
Bell	Hanna
Boethel	Harbin
Bond	Harper
Boyer	Harrell
Bradbury	Harris of Archer
Bradford	Harris of Dallas
Bridgers	Harris of Dickens
Burton	Heflin
Cagle	Herzik
Callan	Holland
Carssow	Hoskins
Colquitt	Howard
Davis of Haskell	Huddleston
Davis of Jasper	Hull
Davison of Fisher	Hyder
Davison	Jackson
of Eastland	James
Deglandon	Johnson of Ellis
Derden	Johnson
Dickison	of Tarrant

Jones of Angelina	Petsch
Jones of Falls	Prescott
Jones of Wise	Quinn
Kenyon	Ragsdale
Kern	Reed of Bowie
King	Reed of Dallas
Knetsch	Rhodes
Langdon	Riddle
Lankford	Roark
Lanning	Ross
Leath	Russell
Leyendecker	Rutta
Little	Schuenemann
Loggins	Settle
London	Sewell
Lucas	Sharpe
Mann	Simpson
Mauritz	Skaggs
Mays	Smith of Hopkins
McConnell	Smith of Tarrant
McCracken	Stinson
McDonald	Stocks
McFarland	Talbert
McKee	Tarwater
McKinney	Tennant
Metcalfe	Tennyson
Moffett	Thornberry
Monkhouse	Thornton
Morris	Vale
Morse	Walker
Oliver	Weldon
Patterson of Mills	Winfree
Patterson of Travis	Wood
	Worley

Present—Not Voting

Blankenship

Absent

Broadfoot	Leonard
Brown	Newton
Cathey	Nicholson
Celaya	Palmer
Cleveland	Pope
Dean	Powell
England	Reader
Felty	Shell
Fielden	Smith
Fuchs	of Matagorda
Hardin	Stevenson
Hartzog	Waggoner
Kelt	Westbrook

Absent—Excused

Jones of Atascosa Keith
Keefe

SENATE NOTIFIED

The committee appointed to notify the Senate that the House is now organized and ready for the transaction of business, appeared at the bar of the House and, being duly announced,

stated that they had performed the duty assigned them.

GOVERNOR NOTIFIED

The committee appointed to notify the Governor that the House is now organized and ready for the transaction of business, appeared at the bar of the House and, being duly announced, stated that they had performed the duty assigned them.

MESSAGE FROM THE SENATE

Austin, Texas, January 13, 1937.

Hon. Robert W. Calvert, Speaker of the House of Representatives.

Sir: I am directed by the Senate to inform the House that the Senate has passed

S. C. R. No. 3, Relative to a Joint Session of the House and Senate for the purpose of hearing the message of His Excellency, the Honorable James V. Allred.

S. C. R. No. 1, Relative to adoption of Joint Rules of Forty-fourth Legislature as temporary rules of Forty-fifth Legislature.

S. C. R. No. 2, Appointing a committee to count the votes in the recent election for Governor and Lieutenant Governor, and to make all necessary arrangements for their inauguration. The following committee has been appointed on the part of the Senate:

Brownlee, Beck, Oneal, Moore and Cotten.

Respectfully,

BOB BARKER,
Secretary of the Senate.

INVITING GOVERNOR JAMES V. ALLRED TO ADDRESS A JOINT SESSION OF THE HOUSE AND SENATE

The Speaker laid before the House for consideration at this time, the following resolution:

S. C. R. No. 3, Inviting Governor James V. Allred to address a Joint Session of the House and Senate.

Be It Resolved by the Senate of the State of Texas, the House of Representatives concurring, That the two Houses meet in Joint Session at eleven o'clock, a. m., Wednesday, January 13, 1937, for the purpose of hearing the message of his Excellency, the Honorable James V. Allred, Governor of the State of Texas; and

that the Governor be invited to deliver his message in person to the Legislature in Joint Session.

The resolution was read second time, and was adopted.

(Mr. Walker occupied the Chair temporarily.)

(Speaker in the Chair.)

COMMITTEE TO ESCORT THE GOVERNOR TO SPEAKER'S STAND

The Speaker announced the appointment of the following committee, on the part of the House, to escort Governor James V. Allred to the Speaker's Stand: Messrs. Bradbury, Jones of Wise, King, Harbin and McCracken.

ADDRESS BY HON. JAMES V. ALLRED

(In Joint Session)

In accordance with the provisions of Senate Concurrent Resolution No. 3, providing for a Joint Session at 11:00 o'clock, a. m., today, for the purpose of hearing the message of Honorable James V. Allred, Governor, the Honorable Senators, at 11:00 o'clock a. m., escorted by Honorable Bob Barker, Secretary of the Senate, were announced at the bar of the House and, being duly admitted, occupied seats prepared for them along the aisle.

Lieutenant Governor Walter F. Woodul occupied a seat on the Speaker's stand.

Lieutenant Governor Walter F. Woodul called the Senate to order.

Honorable Robert W. Calvert, Speaker, called the House of Representatives to order, and stated that the two Houses were in Joint Session for the purpose of hearing an address by Honorable James V. Allred, Governor.

The Lieutenant Governor directed the clerk to call the roll of the Senate.

The roll was called and the following Senators were present:

Aikin	Head
Beck	Hill
Brownlee	Holbrook
Collie	Isbell
Cotten	Lemens
Davis	Moore

Neal	Shivers
Nelson	Sulak
Newton	Van Zandt
Oneal	Weinert
Pace	Westerfeld
Rawlings	Winfield
Redditt	Woodruff
Roberts	

Absent

Burns	Spears
Small	Stone

A quorum of the Senate was announced present.

Speaker Calvert directed the clerk to call the roll of the House.

The roll of the House was called, and the following Members were present:

Adkins	Harper
Alexander	Harrell
Alsup	Harris of Archer
Amos	Harris of Dallas
Baker	Harris of Dickens
Bates	Heflin
Beckworth	Herzik
Bell	Holland
Blankenship	Hoskins
Boethel	Howard
Bond	Huddleston
Boyer	Hull
Bradford	Hyder
Bridgers	Jackson
Broadfoot	James
Brown	Johnson of Ellis
Burton	Johnson
Cagle	of Tarrant
Callan	Jones of Angelina
Carssow	Jones of Falls
Celaya	Jones of Wise
Cleveland	Kelt
Colquitt	Kenyon
Davis of Haskell	Kern
Davis of Jasper	Knetsch
Davison of Fisher	Langdon
Davisson	Lankford
of Eastland	Lanning
Dean	Leath
Deglandon	Leonard
Derden	Leyendecker
Dollins	Little
England	Loggins
Farmer	London
Felty	Lucas
Fielden	Mann
Fox	Mauritz
Gibson	Mays
Hamilton	McConnell
Hankamer	McDonald
Hanna	McFarland
Harbin	McKee
Hardin	McKinney

Metcalfe	Sharpe
Moffett	Shell
Monkhouse	Simpson
Morris	Skaggs
Morse	Smith of Hopkins
Oliver	Smith
Patterson of Mills	of Matagorda
Patterson	Smith of Tarrant
of Travis	Stevenson
Pope	Stinson
Powell	Stocks
Prescott	Talbert
Quinn	Tarwater
Ragsdale	Tennant
Reed of Bowie	Tennyson
Reed of Dallas	Thornberry
Rhodes	Thornton
Roark	Vale
Ross	Walker
Russell	Weldon
Rutta	Westbrook
Schuenemann	Winfree
Settle	Wood
Sewell	

Absent

Bradbury	Newton
Cathey	Nicholson
Dickison	Palmer
Fuchs	Petsch
Graves	Reader
Hartzog	Riddle
King	Waggoner
McCracken	Worley

Absent—Excused

Jones of Atascosa Keith
Keefe

A quorum of the House was announced present.

At 11:05 o'clock a. m., Honorable James V. Allred, escorted by Senators Beck, Head and Oneal, Committee on the part of the Senate, and Messrs. Bradbury, Jones of Wise, King, Harbin and McCracken, committee on the part of the House, was announced at the bar of the House, and being admitted, was escorted to a seat on the Speaker's stand.

Speaker Calvert then presented Honorable J. Bryan Bradbury, who in turn introduced Governor James V. Allred.

Governor Allred addressed the Joint Session as follows:

Austin, Texas, January 13, 1937.

Gentlemen of the Senate and House of Representatives of the Forty-fifth Legislature:

The first week of your service is the closing week of my first term as

Governor of Texas. On January 19th of this year it will be my high honor to continue that service with you for another two years. There need not, therefore, be any break or unnecessary marking of time for the formalities of inauguration.

I warmly congratulate each of you upon your election as the people's representative, and the opportunity it affords for service. For the legislative and executive departments of government we begin today the second century of Texas progress. It should be our prayer and constant goal that what we do will lay the foundation for a greater Texas.

Thanks to the Almighty, to the blessings He has bestowed upon us, to the abundant resources given us, to the spirit and traditions of a great Texas people and to our cooperation with the National Administration, we enter upon the discharge of our duties with brighter hopes than two years ago.

The Constitution requires the Governor, at the beginning and close of his term of office, to give to the Legislature (and thereby the people) "information by message of the condition of the State;" and to recommend such measures as he may deem expedient. Necessarily, as a practical matter, this can hardly be accomplished in a single message. Many of the measures I expect to suggest are of such importance as to require within themselves separate and detailed discussion.

According to the Constitution, all free governments are instituted for the benefit of the people. The principal objective of government is to secure, as economically as possible, the greatest measure of benefits to the greatest number of people; and with no more restraint upon their liberties than is absolutely necessary to obtain such benefits. It was for this purpose that you and I were chosen. We have each solemnly pledged ourselves to devote our every thought and energy to this end.

I am happy to report to you that, in my judgment, the "condition of the State," upon the whole, is good. Under the leadership of our great progressive President, business has improved, income has increased, unemployment has been reduced, building has gone forward, highways have been built, construction projects are being carried on; and Texas is a much better

place in which to live than it was two years ago.

In that short space of time most of the planks in the Democratic platform have been carried out. Planned recovery and rehabilitation has encouraged industrial development, secured for each community a just allocation of Federal appropriations for unemployment relief and general aid in all worthy enterprises. Direct relief, taken out of politics, has helped the needy and distressed. The Public Health Service has gone forward; we have ministered to crippled children and, so far as possible, the lofty, humanitarian aims of government have been secured.

An old age assistance amendment to the Constitution was submitted, adopted by the people and enacted into law. A state unemployment compensation commission is now functioning in cooperation with the Federal Government. Our natural resources have been conserved by State Administration; oil and natural resources industries, upon which the prosperity of our State so largely depends, placed upon a stabilized basis. Vicious, violent lawlessness has been suppressed; major crime has been intelligently and vigorously dealt with through a rejuvenated and modernized State police force taken out of politics. A state securities law has driven from our boundaries the unscrupulous swindler and promoter. Unrestrained power of clemency has been removed from the Governor's hands and placed in a non-political board. The State Prison System has been operated economically and efficiently; a real program of rehabilitation instituted for convicts.

A great, a fitting Centennial Exposition of our independence and progress was presented to the world. It brought to us visitors from everywhere. As a result Texas today is better and more favorably known than ever before. Already and over again the Centennial has repaid our investment in dollars and cents; and we may well count upon its continued benefits for years to come.

Necessarily, this is but passing mention of some, among many, outstanding accomplishments. It is enough to say that all agree we may now continue our labors confident in the knowledge that Texas has not only tremendously improved in the past two years, but must inevitably continue to grow and prosper.

Having briefly reported upon "the condition of the State," we must now proceed to deliberate upon how, as chosen representatives of the people, we can best exercise the powers of government for their benefit. We are fresh from the people, with definite mandates as to their desires. These are incorporated in the platform of the Democratic Party upon which most of us were elected in November. Without at this time specifically enumerating every plank, I respectfully recommend to you each of them. In this message I shall give you the benefit of my views upon such of them as are specifically referred to. Hereafter, from time to time, I may amplify these views and discuss those not covered in this message.

In my humble judgment, most of us stand obligated by the platform of our Party to the following:

1.

Social Security Program

The Democratic platform favors "the progressive development of a well-rounded social security program that will adequately care for the aged needy, the orphaned, the crippled and the blind." It asserts "that this program shall not be undertaken except upon a sound plan of State finances and in close cooperation with the Federal Government under the National Social Security Act." Further: "We favor limiting benefits under the Texas Old Age Assistance Act to those in need."

This latter pledge, limiting old age assistance to those in need, is perhaps the most important of all. An erroneous impression has been created in the public mind throughout the State that the people of Texas voted for old age "pensions;" and, indeed, the statement has been repeatedly made that the people intended "pensions" for every person over 65 years of age, irrespective of need. Such is not the case. The Constitutional amendment adopted by the people provided for "assistance," not "pensions." It provided for acceptance by the State of financial aid from the United States Government, clearly contemplating coordination of our State law with that of the National Government. The Federal law does not authorize "pensions" for everybody over 65; and only authorizes "assistance" to the aged needy.

This was a clear cut issue in the campaign for Governor. The people spoke at the ballot box. The last Called Session of the 44th Legislature recognized this and amended the prior law by enactment of the present statute authorizing State assistance to the needy only. This law has been in effect less than three months. Under capable direction the problem is being dealt with intelligently and as rapidly as possible. Of course, administration of the law may not be without its defects, but we have entered upon a program in which there is little experience to guide us. We must make that experience and benefit from it.

In view of statements carried in the public press as to efforts which may be made to liberalize the old age assistance law, I feel you are entitled to my views. I tell you, therefore, candidly that I will not approve any bill liberalizing or extending benefits to those who are not in need until the present law has had a just and fair trial. Each of you are, of course, entitled to your own opinion, but I make this statement in the hope that our time may be devoted to other more pressing problems.

I recommend the passage of a law to extend the social security program to the blind, the crippled, the dependent children and others entitled to these benefits under the National Social Security Law; provided, however, that, at the same time, this program must be financed by sufficient revenues.

In this connection we are again without a great deal of experience or reliable data to guide us. The State Tax Commissioner has conferred with representatives of the Federal Government and secured from them all available statistics and information. According to their best estimate, if we are to put this program into effect in Texas it will require an approximate annual State expenditure of \$4,324,000.00.

Later in this message I shall make tax recommendations to you; but, with all respect, I want it definitely understood I will not approve a law making appropriations for these benefits unless the Legislature contemporaneously provides revenues sufficient to pay such appropriations.

2.

Utility Regulation

The great majority of our people are definitely convinced that utility rates can and should be reduced. There are two methods of accomplishing this:

A. Adequate and effective regulation of private utilities.

B. Ample authority for municipal ownership and operation of these utilities.

Privately owned utilities will not openly even contend that they should not be regulated. All efforts to do so in the past, however, have failed dismally in one House or the other because of difference of opinion as to the method of regulation.

One of the stock arguments against State regulation is that the power should be left in the hands of the various municipalities. This is ridiculous! Local governments are as powerless adequately to regulate utility rates as the State is to deal with interstate commerce. Cities and towns have not the means. They cannot hire the counsel or secure the services of experts for valuation purposes. It is idle to talk of a city regulating the rates of an electric company, for instance, operating in a hundred other towns.

The farce of past efforts at municipal regulation is demonstrated by the fact that under the present law only cities of two thousand, or more, according to the last Federal census, can regulate the rates of electric utilities; and the law provides that they shall earn a return of at least 10 per cent. This has left smaller towns without even the semblance of regulatory power, and legislative efforts to extend this authority to towns of less than two thousand and provide that utilities shall not earn more than 10 per cent, have been jockeyed about and frustrated in every instance of attempted legislative action.

The time has come when we must pass an effective regulatory utility law, one giving adequate power and means to a State Commission.

The two main points upon which opinion has been divided in the past has been the following:

First: The utilities inevitably seek to have the Legislature provide that before a municipality can acquire or

operate its own plant it must first buy, or offer to buy, an existing private utility.

Second: They seek to have the law provide that even when the State Commission promulgates a rate upon evidence before it, then the utility will have the right of appeal to the courts where the trial shall be *de novo*. This results in hopelessly dragging out the controversy for years; and few communities have ever received any benefits from such action.

The platform of our Party clearly declares for the principal of making it "practicable for any city or town to acquire and operate its own public utilities." This threat of municipal ownership is the best weapon a community can wield to secure lower utility rates. I urge this Legislature to make this weapon of potential municipal ownership more effective rather than to practically bind the people's hands by requiring a community to first buy or offer to buy an existing private utility. Frankly, I cannot approve a utility regulatory law with such a provision in it.

Again, I recommend that any utility regulatory bill passed should clearly provide that when the State Commission promulgates an order establishing a rate, if an appeal is taken to the courts, then the trial should not be *de novo* but upon the record made before the Commission; and providing clearly that the burden shall be upon the utility, if it be the complaining party, to establish not only that the order or rate is unreasonable but that it was without any warrant in the evidence heard before the Commission.

This principle was clearly declared by the Court of Civil Appeals for the 3rd Supreme Judicial District, and afterward approved by the Supreme Court in its refusal of a writ of error, in the Lone Star Gas Company case—an appeal from an order of the Railroad Commission lowering the gate rate in more than one hundred Texas towns and cities. In my humble judgment this order of the Commission and the Court's opinion is one of the greatest victories the people ever won. It should be carried on into the written law of the land and applied to all utilities as well as to the gas companies.

In urging you to pass an adequate utility regulation law, I want to remind you that if we can thereby secure a reasonable reduction in rates,

it will possibly result in a greater saving to the people than could come from any other form of legislation.

3.

Safety Program

Thirty-eight thousand people were killed in the United States last year in traffic accidents! Almost 2,000 of them lost their lives in Texas! More Americans are brutally killed in traffic accidents in eighteen months than were destroyed during the great World War!

Isn't this a challenge to us? We have simply got to do something to cut down this annual loss of life, to say nothing of the maimed and crippled as well as property damage running into millions of dollars.

During the Regular Session of the Forty-fourth Legislature we passed a drivers license law. It is weak and ineffective. It was loaded down with amendments; and, without criticism of any individual, I think this was due to a belief on the part of some Members of the Legislature that their constituents would be resentful of rigid state regulation. I think we misjudged the sentiment of the people. I think they want something effective done about this terrible thing. I think they want the highways made safer for all of us. I know they want to do away with the anguish and tragedy of little children slaughtered and maimed on their way to school.

I recommend the passage of a rigid uniform drivers license law; and of measures making more effective regulation of trucks and busses whether common carrier or privately owned. Scarcely any of us but has suffered one of those disasters within the circle of his acquaintance; and all too often are having the lesson brought home by the needless loss of a loved one.

I recognize that the success of these measures will depend to a tremendous extent upon public education and the support of public opinion. I am taking immediate steps to assist our Public Safety Department and safety councils throughout the State in better carrying on this program of education and to stimulate public opinion. In the meantime, however, I cannot too seriously and earnestly urge the passage of these laws. The time has come when personal inconvenience must, to a considerable extent, give way to public welfare and safety.

The State Highway Patrol is a magnificent organization, but woefully under manned. Today we have less than one hundred and fifty of these fine young men to patrol thousands of miles of highways. The force should be doubled at least. They should be equipped for the most part with light speedy cars instead of motorcycles, as at present. This can and should be paid for out of the State Highway Fund since this organization is primarily charged with patrolling the highways and enforcement of safety measures.

No single accomplishment could be greater than intelligent, effective legislation to curb and diminish the astounding, appalling and for the most part, avoidable daily tragedies resulting from our indifference.

4.

Constitutional Amendments Legislation

In the special election held in August, 1935, and at the general election of 1936, the people voted a number of constitutional amendments. Some of these have not yet been acted upon by the Legislature. I recommend for your careful consideration enabling legislation on such amendments, which will be discussed in the following order:

a. In the general election, the people adopted an amendment to remove the unrestrained power of clemency from the hands of the Governor; and placing it in a Board of Pardons and Paroles, composed of three members, one appointed by the Governor, one by the Chief Justice of the Supreme Court, and one by the presiding Justice of the Court of Criminal Appeals. The Governor is authorized under this amendment, on the written, signed recommendation of a majority of the Board of Pardons and Paroles to grant reprieves, commutations of punishment and pardons; and under such rules as the Legislature may prescribe, upon like recommendation of the Board, to remit fines and forfeitures. The amendment provides that the Legislature shall have the power to regulate procedure before the Board and shall have authority to enact parole laws.

This amendment is to become effective February 1, and for that reason it is submitted to you as emergency legislation. A bill proposing

to carry this into effect will be promptly offered for your consideration. In connection with it, however, I particularly recommend the following:

The salary of the Board members as set out in the general appropriation is \$2,250.00 per year. This Board has added dignity and now responsibilities under the Constitutional Amendment. Its members should be paid a fair salary. I would suggest at least three hundred dollars per month.

As most of you are aware, I have worked out a system of voluntary parole boards throughout the State, to which men granted clemency are required to report from time to time. The various civic organizations have cooperated beautifully and I have been helped immeasurably with the volunteer services of many fine public-spirited men and women throughout the State. They have given freely of their time. They act as advisors to these men coming out of the penitentiary and endeavor to help them secure employment.

I trust it will not appear immodest for me to state that I am prouder of the work done by these boards under this parole system than of almost any accomplishment during my first administration. It has paid us big dividends in dollars and cents, in property saved which might have been stolen by discouraged men.

But the greatest return upon the investment has been in retrieved manhood. The results have been and are astounding. The percentage of parole violators has been cut to an almost negligible figure. I have always felt that it would be a good investment for the State to interest themselves in a man when he comes out of the penitentiary; to keep posted as to his whereabouts and what he is going to do; to provide him with employment if possible. Our experimental parole system has been in operation eighteen months. Results speak for themselves. The system has attracted the interest of other States and the Federal Government caused a special study to be made, the results of which were very complimentary.

The members of these parole boards serve without pay. In most of the districts, however, the matter of keeping the records of these men has become a burden. Public spirited citi-

zens and civic organizations in Houston, for instance, have secured voluntary contributions to keep a paid secretary.

It is essential in my opinion that the burden of keeping detailed records of these men—the reports they make and which are made on them—should be taken off the shoulders of the voluntary boards and that a reasonable number of parole agents, well scattered throughout the State by districts, should be authorized; that they be appointed by the Board of Pardon and Parole Advisors. The Board should have an adequate appropriation of not less than \$250.00 per month for an energetic wholehearted, capable secretary, not only to assist the Board in matters pending before it, but to direct the parole work throughout the State. Except for this volunteer parole board, Texas has lagged far behind her sister states. All of the more progressive ones have a program of probation and parole already worked out.

It is not my idea to abolish the volunteer parole boards. On the contrary, I think they should be given legal standing; and that the members should be honored with a commission from the State of Texas. Through them real human interest is given to what otherwise might become mechanical activity on the part of paid parole agents. Through them and their contacts with business and industry, jobs are secured for paroles. In my judgment, with legal standing as proposed by this bill, the continuation of the work by these volunteer boards will be a most valuable factor in contributing to a solution of this great problem with which society is confronted.

When the people adopted the amendment taking the power out of the Governor's hands and placing it in the board, they intended, in my judgment, to take it out of politics. They were tired of conditions with which we are all too familiar in the past. We ought to do everything we can to give effect to the will of the people. In regulating procedure before the Board, the Legislature would do well to prohibit the making of any contract calling for the payment of a contingent fee in the event clemency is secured or granted; and authorizing the Board to require any person appearing before the Board to file an affidavit setting out clearly the con-

sideration for which he is appearing.

In this connection I respectfully urge this Legislature to incorporate an unusually patriotic provision in the law—one prohibiting Members of the Legislature from practicing before the Board. The Legislature makes appropriations for this Board; and it is but human that any appearance, whether with or without pay, by Members of the Legislature in behalf of men condemned to die or sentenced to the penitentiary will at times prove embarrassing.

In making this recommendation I want you to know that very few Members of the Legislature have appeared before me asking for clemency; and most of the cases where they did appear it has been rather at the request of their constituents, without pay, than for remuneration; but, in any event, it might tend to be embarrassing to the members of the Board; and I rather think the Members of the Legislature can save themselves a great amount of trouble and worry if they would incorporate this simple provision in the law.

B.

Probation Amendment

This amendment was likewise adopted in 1935, to authorize courts of original jurisdiction to suspend imposition or execution of sentence, and to place a defendant on probation and to re-impose sentence.

The purpose of this amendment is self-evident. No doubt bills will be introduced upon the subject. It occurs to me that the men placed upon probation by the trial judge could well be placed under the supervision of the same parole boards or officers authorized for paroled men released from the penitentiary. This will avoid a duplication of effort and expense.

C.

Legislative Re-Districting

Article 3, Section 26, of the Texas Constitution, provides that the Members of the House of Representatives shall be apportioned among the several counties according to the number of population in each, as nearly as may be determined on a ratio obtained by dividing the population of the State as ascertained by the most recent United States census.

This section of the Constitution was amended in the last general election

by limiting the total number of representatives for any one county to seven, excepting counties having more than 700,000 population.

There has been no legislative apportionment since the most recent United States census. I recommend careful preparation of a bill redistricting the State for legislative purposes, effective, of course, at the next general election.

D.

Salaries of Certain Constitutional Officers

By direct vote of the people in the general election, the salaries of the Governor, the Attorney General, the Comptroller of Public Accounts, the Treasurer and the Commissioner of the General Land Office were fixed at certain definite sums, representing increases over the prior constitutional salaries. No appropriation has been made to cover these salaries. All have gone into effect with the exception of the Governor's salary, effective the 3rd Tuesday in January, 1937. These officers are, however, entitled to a deficiency certificate for such salaries until the appropriations are made. Since this is true, and they are already in effect, this matter is submitted to you as emergency legislation for immediate consideration.

E.

Teachers Retirement

At the last general election the people likewise authorized the establishment of a teachers retirement system under certain conditions, including contribution by the State to such retirement fund. This legislation should be carefully dealt with and should not be made effective until this Legislature provides sufficient revenues to pay the State's contribution to the fund.

F.

Temporary Confinement of Mentally Ill Persons Without Jury Trial

At the special election of 1935 the people authorized the Legislature to provide for temporary confinement for observation and treatment of mentally ill persons, not charged with a criminal offense, for a period not to exceed 90 days, by order of the county court, without the necessity of a trial by jury. This legislation likewise should be carefully scrutinized and adequate safe guards made to prevent incarcer-

ation of any person, even temporarily, without his or her consent.

G.

Workmen's Compensation Insurance For State Employees

At the last general election the people also authorized the Legislature to provide for workmen's compensation for state employees.

There is no denying the wisdom and necessity for adequate protection of various classes of our state employees. A number of employees of the State Highway Department, for instance, and of the State Highway Patrol, have been killed or maimed and injured for life without any hope of compensation from any source. We should proceed carefully in this regard, however, and before a such legislation becomes effective sufficient funds should be provided to take care of the cost.

It is quite probable that after various proposed bills have been submitted to me for study I shall have further recommendations to make with reference to each of the foregoing constitutional amendments.

5.

Child Labor Amendment

While there were many features of the National Recovery Act on which some of us did not agree, there is no denying that it helped to bring recovery to the nation at large and to Texas as well. One of these provisions was that by which, under the Codes, employers agreed and bound themselves to do away with child labor. There is no denying that this one feature of the NRA was helpful to the physical and mental well-being of the nation's children; and that it contributed its part to the return of prosperity by eliminating sweat shop conditions and the unfair competition resulting from the activities of those engaging this character of labor in industrial centers.

The President has clearly pointed out that since the NRA was stricken down by the Supreme Court these sweat shop conditions and the exploitation of children have returned. They should be permanently eliminated.

I yield to no one my allegiance to the doctrine of the right of the states to control their own problems wherever possible. This is one, however,

which our experience has already demonstrated the state is unable adequately to deal with. Industries in states enacting child labor laws are at a distinct disadvantage with other states which refuse to do so. Our Texas problem is not so acute in this regard as it is in the industrial centers of the North and East. Our prosperity, however, depends to a large extent upon their well being. I think we owe it to the nation at large to ratify this amendment. I hope the Legislature of Texas will do this promptly.

6.

Estimates of Money Required to be Raised by Taxation

The Constitution requires the Governor at the commencement of each regular session to present estimates of the moneys required to be raised by taxation for all purposes. This is indeed a difficult task, and I shall undertake it to the best of my ability.

At the outset I regret to inform you that we are going to need considerable additional revenues; and that it will be necessary to raise this money by taxation.

I preface my estimates with this statement in view of the fact that after I shall have made my recommendations, some will no doubt point out a conflicting statement made last summer that we would not need new taxes for the ordinary purposes of government. This statement was based upon my honest judgment at the time and figures furnished me by the State Tax Commissioner. Indeed, I then believed that we would be able to wipe out the deficit in our general fund without any additional revenues. At the same time, however, I frankly stated that we would have to have additional revenues for old age assistance, and other features of the National Social Security Act—the extraordinary purposes of government.

Although it is somewhat embarrassing, I want you to know that I was honestly mistaken in my statement as to not needing revenues for the ordinary purposes of government. Conditions have changed since that time. Collections have not materialized as we anticipated; and as you shall presently observe, we are going to have to have substantial sums of money for the ordinary as well as

extraordinary purposes of government.

My embarrassment in this regard is somewhat relieved by reflecting upon the fact that all of us sometimes find we have made an honest mistake of judgment; and I have been somewhat consoled by Emerson's essay on "Consistency." He says:

"Consistency is the bugbear that frightens little minds. . . A foolish consistency is the hobgoblin of little minds borne by little statesmen, little philosophers and divines."

I, therefore, conclude that I would prefer to be frank and right, than to be consistent.

We need additional revenues for two purposes:

First: The ordinary purposes of government to which we have been generally accustomed in the past.

Second: The extraordinary purposes of government which arise from new obligations we have taken upon ourselves as a result of the adoption of a number of far-reaching constitutional amendments, including direct relief, old age assistance, further benefits under the National Social Security Act (aid to the blind, etc.), workmen's compensation insurance for State employees and contribution to the teachers retirement fund.

I shall first present to you my estimate of our requirements for extraordinary purposes of government:

A.

Old Age Assistance

According to a report made to me by the State Auditor, State Tax Commissioner and the Auditor for the Old Age Assistance Department, if the present old age assistance law is not changed, a minimum of ten million dollars will be required annually to meet the State's portion of this obligation. The same authorities estimate that the total receipts from taxes already levied for the support of this fund will amount to only \$8,400,000.00 annually, which will leave a deficit of \$1,600,000.00 each year for the ensuing biennium. Monthly payments average \$15.50 per applicant.

The present old age assistance law went into effect November 1, 1936. At that time sufficient funds were

not on hand to meet these obligations before the new taxes became effective. The Legislature, therefore, passed a law authorizing the issuance of interest bearing warrants which has enabled the Board of Control to match the Federal Government and make these payments in cash.

According to the State Auditor, the State Tax Commissioner and the Auditor for the Old Age Assistance Department of the Board of Control, we immediately need \$1,300,000.00 additional for the balance of the present fiscal year ending August 31, 1937. This will, of course, take care of the interest bearing certificates which were issued by the Commission.

Thus, I estimate that for the purpose of paying old age assistance under the terms of the present law we need:

- a. For the balance of the fiscal year ending August, 31, 1937 \$1,300,000.00
- b. For the fiscal year ending August 31, 1938 \$1,600,000.00
- c. For the fiscal year ending August 31, 1939 \$1,600,000.00

After providing the additional \$1,300,000.00 for the remainder of the present fiscal year, we will need, therefore, an annual additional sum of \$1,600,000.00 for old age assistance.

B.

Additional Features of the National Social Security Act

As stated at the outset of this message, the State Tax Commissioner estimates, upon data and statistics furnished by the Federal Government, that we will require annually a minimum of \$4,324,000.00 to put into effect the additional features of the Social Security Act, such as aid to the blind, aid to dependent and neglected children and child welfare.

Ordinary Purposes of Government

A.

Deficit in General Revenue Fund

At the present time revenues accruing to the General Fund do not equal expenditures from that fund. The excess of expenditures from this

fund over its receipts will average \$2,500,000.00 annually on the basis of present appropriations without increases.

The State Auditor estimates that the total deficit in the General Revenue Fund at the end of the present fiscal year ending August 31, 1937, will be \$14,874,157.00. Increase in this deficit is due to a number of causes:

a. The expenditure of \$3,000,000.00 for the Texas Centennial, which has, of course, more than repaid itself in increased gasoline taxes and general benefits to the State, but none of which goes back into the general revenue from which it was taken.

b. A total increase of \$4,000,000.00 in appropriations made by the 44th Legislature for rural aid.

c. Under the preceding administration twenty million dollars in relief bonds were voted and issued, but no taxes were levied to retire this debt. On the contrary they were made a first lien on revenues which otherwise would have gone into general revenue. Principal and interest payments on these bonds now total approximately \$2,800,000.00 annually.

d. Under the preceding administration taxes were remitted to various counties in the State; an instance being the Brazos Valley Conservation project remitting taxes in 10 counties.

An erroneous impression prevails among the people that increased cost of government is for salaries in the executive and judicial departments of the government; and that this is responsible for the increase in the deficit. This is incorrect; for as pointed out above, the deficit increase is due to the Centennial appropriation, increased appropriation for rural aid, payment of principal and interest on relief bonds, remission of taxes to counties and homestead exemptions, taxes on which formerly went to general revenue.

Many people, in making suggestions for balancing the budget, suggest that we economize by cutting salaries. The General Revenue Fund is, of course, in sadder condition than any other fund. Let us analyze the purposes and percentage of expenditures from this fund during the past fiscal year:

To pay principal and interest
on relief bonds 11.3%

Legislative expense (2 special sessions)	1.53%
Judicial or court expense —	9.37%
Executive and administrative departments (including Executive Department, Attorney General, Board of Control, Comptrollers, Land Office, State Library, Secretary of State, State Auditor, State Treasurer, Commission for the Blind, State Tax Board and Texas Relief Commission)	6.08%
Military and law enforcement	1.69%
Regulation of business and industry	3.01%
Health and Sanitation97%
Development and conservation of natural resources	6.60%
Eleemosynary institutions	31. %
Educational (Which includes Department of Education, rural aid and all State institutions of higher learning)	48.03%
Parks and monuments19%
State debt16%
Miscellaneous (Which includes taxes on University land, payment of claims against the State and Centennial appropriation)	14.38%

Thus it will be seen that if any substantial economies are to be effected in general revenue, it would have to be out of those departments showing the greatest percentage and total of expenditures. For instance, the Educational Department, including rural aid and all institutions of higher learning, expended over ten million dollars the past fiscal year. I am at a loss as to how any substantial savings could be effected in these departments.

The next high expenditure is approximately six and one half million dollars for eleemosynary institutions. Already our insane asylums are overcrowded with patients but undermanned with personnel. Many patients are awaiting entrance, and we have been unable to keep some of our most efficient psychiatrists and physicians because of the low salaries paid. Instead of recommending a decrease in this appropriation, I join with the Board of Control in recommending a substantial increase for the creation of new units to take care

of unfortunate insane now incarcerated in jails or in private homes; and to better care for those already confined in our asylums.

This deficit in the General Fund, however, must be liquidated. It can only be done in one of three ways:

a. Expenditures must be curtailed to make income equal outgo and additional outs made so as to reduce the existing deficit substantially each year; or

b. Taxes can be levied so as to make income into this fund equal outgo and provide a sufficient amount to substantially reduce this deficit each year; or

c. Unless the budget is balanced under one or the other, or both, of the foregoing methods, then appropriations for our educational institutions should not be made out of general revenue but a separate fund should be set up and adequately financed by taxation.

With reference to suggestion "a," above, that is drastic reductions in the appropriations, I have pointed out the practical difficulties confronting us and frankly, I see no way of making any substantial reductions in the appropriations for these necessary functions of government, to-wit, our courts, our educational institutions and the care of our insane people and other public wards.

As to suggestion "b," levying taxes to meet these problems, I shall conclude this message with appropriate recommendations.

In connection with the possible transfer of appropriations for the Educational Department and our institutions of higher learning from general revenue, I desire to remind you that already one of our greatest difficulties has been the setting up of a number of separate funds. It is indeed a peculiar and, in many respects, an unfair thing that some state employees are paid out of special funds and secure 100 cents on the dollar while other employees and officers are compelled to discount their warrants each month. There is this advantage, however, to the setting aside of these special funds:

Generally those who advocate special funds help the Legislature to raise revenue to place in such funds. The best way to stop an increase in the deficit in the General Revenue Fund

will be to stop making substantial additional appropriations out of same until the revenue is in sight to take care of such appropriations. For instance, during the Forty-fourth Legislature the friends of education secured an increase of two million dollars per year for rural aid; yet, no effort was made to assist the Legislature in raising the revenue necessary to pay off this increased appropriation.

I want it definitely understood I believe in liberal appropriations for our educational institutions; but I think the friends of education owe it to themselves, to the Legislature and the people to help us raise revenue sufficient to support their increased appropriations; and, certainly for contributions to the teacher's retirement fund.

At the same time that the increase of two million dollars per year for rural aid was made out of general revenue, the Available School Fund showed a substantial surplus; because of this surplus, the per capita apportionment was raised from \$17.50 to \$19.00 and the ad valorem tax for school purposes reduced from 35 cents to 20 cents. This surplus had been built up by allocating to the Available School Fund out of various tax levies, such as cigarette tax, oil and sulphur taxes, a higher percentage of such taxes than the 1/4th automatically set aside to the Available School Fund by the Constitution. If we continue to make appropriations out of general revenue which results in improving the condition of the Available School Fund, then in justice to general revenue the present excess of taxes going into the Available School Fund, above the constitutional 1-4th should be released to general revenue.

It is a simple fact that friends of education in Texas constitute one of our most powerful elements of public opinion. They can be made into a valuable ally of this Legislature in the matter of helping to pass revenue measures, especially where the purpose of such tax levies is to help carry on the cause of education.

We cannot deny that it is our duty to balance the budget; to wipe out the increasing deficit in general revenue. The statement is often made, and either inspired or echoed by powerful interests seeking to escape the burdens of taxation, that a substantial deficit is a good thing; that it is a

deterrent to liberal appropriations by the Legislature. This has not proved to be true. Two years ago I recommended that the budget be balanced; that the deficit in general revenue, which was less than it is now, be wiped out. At that time the statement was made that a not too large deficit was a wholesome thing and would deter liberal expenditures; yet appropriations and expenditures were substantially increased, as I have pointed out in this message.

I say this not critically of the Forty-fourth Legislature, but to keep the record straight. During the regular session, appropriations were substantially increased, resulting in an increase in the deficit of more than five million dollars; and yet during that session, not a single tax measure of any consequence passed, although I recommended at that time a comprehensive tax program for equalizing our tax burdens and to balance the budget.

An estimate of needed revenues for the General Fund must necessarily take into consideration the following:

a. The existing deficit which will be approximately fifteen million dollars at the end of the present fiscal year, August 31, 1937.

b. The sum of approximately \$2,500,000.00 necessary to make income equal expenditures from this fund.

c. Any increase in appropriations by this Legislature over appropriations for the past biennium.

d. Any new appropriations out of general revenue which this Legislature may see fit to make.

In connection with item "c", above (increases in appropriations from general revenue over the appropriations for the past biennium):

The State Board of Control has completed its recommendations with reference to the Judiciary, Educational Department and Eleemosynary Institutions. The Board recommends certain increases for these departments. They have not, as yet, completed recommendations for departmental appropriations, but I understand these also will recommend increases.

I am not unmindful of the fact that a number of our officers and employees are entitled to increases, especially the judges of our courts; I am unwilling, however, to join in recommending any increases in appro-

priations for these various departments over the past biennium (excepting, however, the recommendations of the board for additional facilities for our state eleemosynary institutions) until and unless this Legislature enacts a comprehensive forward looking tax program, which will assure ultimate liquidation of the present deficit and balancing of the budget.

With reference to item "d", above, (that is additional appropriations out of general revenue for any new purpose): I cannot approve any such action unless the Legislature contemporaneously provides sufficient revenues to take care of such appropriations.

Since the Board of Control has not completed its departmental recommendations, I am, myself, unable to make definite recommendations as to such departments; but I understand the Board's recommendations will be available shortly. I am also unable, of course, to anticipate what this Legislature may do in the matter of increases, and I am therefore compelled to make my recommendations based on the appropriations for the past biennium.

I, therefore, recommend substantially the same appropriations from general revenue as for the past biennium; except that I join in the Board's recommendation of an increase of approximately \$1,375,000.00 annually for our eleemosynary institutions. I recommend that the Legislature provide by taxation new revenues of at least two and one-half million dollars to apply on the deficit; and that they provide an additional two and one-half million dollars annually to certainly assure that income into general revenue will equal expenditures from that fund. In other words, I estimate, if no greater appropriations are made from this fund than for the past biennium that a total of \$6,375,000.00 of new revenue annually is necessary to prevent an increase in the deficit and assure its ultimate liquidation. Any increase over these recommendations or any new appropriations from general revenue (if the Legislature sees fit to make them) will have to be added to this estimate.

7.

Revenue and Taxation

The most painful problem of government is taxation. It will prove to be the most difficult with which this

Legislature will have to deal; the one upon which there is room for the greatest difference of opinion. In commenting upon this question and making recommendations, I am, of course, dedicated to the platform of the Democratic Party; and at the same time expressing my official opinion for whatever it may be worth to you.

The problem of fairly providing revenue for efficient operation of our state government is doubly difficult today because of the patchwork system handed down to us. It has largely resulted from the fact that the ad valorem system was originally the basis for practically all taxation. This system was inaugurated at a time when Texas was an agricultural state and land ownership was practically the sole source of wealth. As we progressed, meeting new problems and consequent new functions of government, makeshift tax levies have been made to meet all existing demands without any farsighted, comprehensive, definite plan. As a result the grossest irregularities and discriminations have sprung up. Farm and home ownership has become increasingly difficult. The increase in farm tenancy over the country, which has aroused the interest of the President, has likewise assumed alarming proportion in Texas. If we are to intelligently and fairly deal with this eternal problem of government, we must start at the source and make certain changes in our fundamental law, the Constitution.

My views upon taxation remain the same as they were two years ago. They are set out in full in my message to the Legislature, February 25, 1935, found at page 520 of the House Journal and page 587 of the Senate Journal, Regular Session of the Forty-fourth Legislature. I shall not burden you by repeating them here, but respectfully urge each of you to review the recommendations made at that time.

The platform of the Democratic Party adopted last summer reads in part as follows:

"We urge legislation to ease the burden of taxation on homes, farms and ranches. To accomplish this necessary relief, we favor a reclassification of property for taxation, so as to bring on to the tax rolls the large percentage of wealth now escaping the ad valorem tax

the state tax board should be given authority to aid counties in equalizing the values of properties of oil companies, sulphur companies, utilities, insurance companies and other large businesses in order to increase revenues from that source."

To accomplish these ends it will be necessary to amend our Constitution.

The Constitution of Texas provides that "taxes shall be equal and uniform." This has been held to mean that all properties subject to the ad valorem tax must be taxed upon the same basis and at the same rate. It has resulted in a large portion of intangible and personal property not being taxed at all. Reliable surveys of estates under administration in a number of typical Texas counties disclose that approximately 45% of property subject to taxation is not taxed at all.

This untaxed property is largely notes, bonds, mortgages, bank deposits, etc. Part of the trouble is due to deliberate evasion by the taxpayer; but a larger portion to the requirements of the Constitution, stating a fine theory of government, but actually working an impossible situation on some classes of property.

For instance, the owner of a note for one thousand dollars drawing six per cent interest could hardly deny that it was actually worth its face value. If he rendered it for taxation, however, and it were taxed upon its face value at the same rate as other classes of property, by the time the owner of the note had paid state, county and local taxes, the interest would practically be absorbed.

Land or real estate is, of course, more difficult of concealment than any other class of property. It is, however, rarely rendered for its face value. It is small wonder, therefore, that the owners of notes, bonds, mortgages, etc., fail to render such property for taxation; and that local taxing authorities (upon whom the state at present is dependent to protect its interests) do not compel the assessment of this character of property at all.

A number of the more progressive states have adopted amendments to the Constitution permitting the Legislature to classify property for the purpose of taxation and to assess a lower and different rate for one character of property as against another. This enables the Legislature to place such a

reasonable rate upon this character of property that there is no incentive to the taxpayer to secrete it; and yet it has resulted (and will result in this State, if the Constitution is amended) in placing upon the tax rolls millions of dollars worth of property, available for taxation purposes to state and municipal governments alike.

The 43rd Legislature submitted a constitutional amendment to authorize the Legislature to classify property. It encountered bitter opposition at the hands of owners of property escaping taxation. Various misrepresentations were made to accomplish its defeat when voted upon by the people. For instance, it was first whispered and then later notoriously circulated among our church people, and the home owners of the State, that if adopted, this amendment might affect the exemption of church properties and the homestead. In my opinion, this propaganda resulted in the defeat of the amendment.

I earnestly recommend the early submission of a carefully drawn amendment (to be voted on this year) to permit classification. I suggest that it be especially provided in the amendment itself that nothing therein shall in anywise affect the homestead, church, or other properties now exempt from taxation under the Constitution. With this assuring guarantee many people, who were alarmed before because they feared it might interfere with existing exemption of homestead and church properties, will support the amendment. I am certain from the experience of other states that it will bring upon the tax rolls, at a reasonable rate, hundreds of millions of dollars worth of property now escaping any taxation whatever.

Under the present law and Constitution acceptance of property renditions and assessment of property for taxation is entirely in the hands of local authorities in each county. The Commissioners Court sits as a Board of Equalization and acts as completely for the State as for the county. When a valuation is placed at a certain figure by the Board of Equalization for county purposes it is equally binding on the State. This has resulted in the most unequal and unfair system of taxation conceivable.

Inequalities and injustices are clearly reflected by the Comptroller's report. They are very graphically pointed out in a book published last

year by Honorable C. M. McFarland, Representative in the Legislature from Wichita County.

Land and oil properties located in one county of equal or greater value than in other counties are taxed on a basis far below and unreasonably out of proportion to actual assessed value in other portions of the State. In too many counties in the State practically no personal property whatever is rendered or assessed for taxation for either State or county purposes. One county having, according to the census, far more cattle than another, will not tax this property at all; or will tax a small number upon a valuation of Two Dollars per head; while in another county having actually a far less number of cattle, a larger number will be taxed upon a valuation of Ten to Sixteen Dollars per head.

In most counties of the State no ad valorem tax whatever is paid upon automobiles. In some a few are taxed upon a valuation as low as Ten Dollars per car; in others upon a higher valuation. At the same time in a few counties they are taxed by city or other local sub-divisions of the government.

The argument may be advanced that already a fairly high tax is paid for the registration of motor vehicles. This may be ever so true; but what has been done and what can be done illustrates the injustice of our present supposedly "equal and uniform" system of taxation. This property is subject to taxation. It is actually taxed in some counties and by some sub-divisions of government while in other counties it escapes any taxation whatever. This is manifestly unfair to the taxpayer in counties where taxing authorities compel payment of the ad valorem tax on automobiles and then permit thousands of owners in other counties to escape without paying on their cars.

In some counties in the State there is no rendition of stocks of goods while in others the rendition is negligible; and at the same time in other counties doing a far smaller percentage of business, according to statistics, larger stocks of goods will be taxed upon a high valuation. Bear in mind that in those counties where these properties are taxed at all they are taxed for State as well as county purposes; and where they are not assessed, or where they are valued at

an unreasonably low figure, the State loses; and the taxpayers over the State generally suffer.

If there is any defense or justice in this kind of system, I am unable to comprehend it.

There are, however, certain possible explanations:

First: Some counties have stepped out and engaged in highway construction and other projects, voting bonds which have to be retired by taxation. They are pressed for revenue and necessarily require the rendition of property for county taxation, which is entirely overlooked in other counties; but, when the local taxing authority accepts a rendition or places a value on this property for county purposes, it likewise does so for the State; and the State benefits thereby.

At the same time, however, when local taxing authorities in other counties fail to place property on the tax rolls, the State government is utterly precluded. The State must take care of the county's public wards, it must provide old age assistance and relief, extend financial help to carry on local schools, must build highways and operate the government in the interest of every county in the State; yet it can have no voice as to the valuations placed on property for State taxation purposes.

Does not this constitute in actual effect the rankest discrimination and unfair treatment of the citizenship of the State as a whole?

Second: The State is left at the absolute mercy of local politics and must entirely depend, under our present constitutional provisions, upon the absolute integrity of local officers. True it may be urged that removal proceedings will lie against any county officer failing in his duty to the State. As a practical matter, however, such suits would have to be brought in the county of the officer's residence; and, as you and I well know, it is an utter impossibility for the State to accomplish removal in any community for favoritism shown to local taxpayers.

All of us believe in local self government so far as possible but this principle can be extended too far; and in this instance it has been so extended. I concede that if the valuation accepted by local authorities were made only for county purposes, it should not perhaps concern the State;

but when these authorities act actually for the State, and presumably in the interest of the whole people, then the State should have some voice in the valuations fixed or accepted.

As illustrative of the fact that the state is at the absolute mercy of local authorities, and has suffered thereby, let me cite you to the following:

A survey now in progress, financed by the Federal Government, under the supervision of the State Tax Commissioner, has already uncovered 699,564 acres of land valued at \$7,690,733.00 which were not on the tax rolls at all. It also disclosed that in 206 counties in Texas there are 67,875 tracts of land upon which improvements had been made of the value of \$54,711,875.00 which are not rendered, assessed or taken into consideration at all for taxation purposes.

Again, the tax survey has disclosed one instance of the rendition of a valuable tract of land in East Texas containing 15,000 acres for a total valuation of one dollar; (not one dollar per acre, but one dollar for the entire tract). This rendition was followed with an explanation that this sum of one dollar represented the interest of the citizen making the rendition. Through a careful study of the title records, it was disclosed that this citizen rendering property for one dollar owned the entire tract of 15,000 acres in fee simple, without a single dollar of indebtedness against it; and that no other person had any interest whatever in the tract. This disclosure and investigation resulted in a tax assessment being placed on this land and finally accepted by the taxpayer upon a valuation of \$168,000.00.

This is not an isolated instance. The State Tax Commissioner is preparing a report upon this survey which will be available to the Legislature. It will disclose other renditions, assessments and evasions equally shocking and astounding.

No more glaring example of disregard of the State's interest by local tax authorities can be found than the situation which until recently prevailed in Wharton County for a number of years. As you well know, the largest sulphur deposits in the world are to be found in this county. Some ten years ago the State remitted all ad valorem taxes from general revenue to Wharton County for twenty-five years, or until such time within that period as would be required to retire

a certain bond issue voted for the purpose of removing obstructions from the Colorado River. Certainly it was to the interest of the State as a whole that this bond issue should be retired as rapidly as possible in order that these taxes might again come back into the State Treasury.

It is now a matter of court record that the valuation placed on these properties by the local commissioners court was pitifully inadequate.

Notwithstanding the tremendous interest of the State in this matter, and the graciousness of the Legislature which had remitted these taxes to the county for the purpose of assisting them in their local project, a majority of the commissioners court refused to even give the Attorney General of Texas a hearing or an opportunity to present the evidence then available. Recently a new commissioners court has been elected. They held hearings and raised the valuations on this property from approximately fifteen million dollars to thirty million dollars.

The sulphur company has refused to pay taxes on this increase and the county will be compelled to file suit. The taxes do not become delinquent until February 1st, and then under the present law the county cannot file suit until after July 1st. Under the law at present the taxpayer, in order to prevent accrual of penalty and interest, is required to tender the payment of taxes upon the basis of the valuation for which he contends; but even when tendered, the tax assessor and collector cannot accept the taxes which are admitted to be due. Both the county and the State are thus deprived of the use of tax money about which there is no dispute whatever; and this will be held up pending the result of the suit, which will no doubt be long, drawn out litigation. The State's portion of the taxes which the sulphur company admits to be due (but which the tax assessor and collector cannot accept) will be \$94,482.42 for this year alone.

I recommend the passage of a bill requiring the payment of taxes on the listed and rendered value in order to prevent the accrual of penalty and interest, and authorizing the tax assessor and collector to receive this money. I am confident that other similar situations exist throughout the State and that the passage of this

simple law will result in tremendous revenue to the State.

I recommend immediate submission of a constitutional amendment to be voted on this year, giving the State Tax Board the authority not only to assist local taxing authorities, but also the right of appeal to the courts for the placing of a fair valuation upon all property subject to taxation.

Of course, such an amendment should be carefully prepared, and I would suggest that it have incorporated in it a provision authorizing the Legislature to require the owners of stocks of goods to render same upon a basis of the value of the average stock on hand throughout the taxable year. At present, the taxpayer is required to render such stock as he may have on hand on January 1st. It is a matter of common knowledge that the large chain stores, and possibly others in this State reduce their stocks to the minimum during the holidays and render this minimum stock as of January 1st; whereas they have done throughout the year a tremendously large amount of business, necessarily requiring a far greater stock of goods on hand, upon which no taxes are paid.

There is now and has been for years constant discussion as to why we have such unequal and unjust forms of taxation. I have tried to point out in this message the underlying causes and have made recommendations which I think should correct these abuses. The statement of the Supreme Court of the United States that "the power to tax is the power to destroy" has become a household expression. In view of what has happened and is now carried on in Texas, however, under the present system, it should be revised to read, "the power to discriminate, the power to evade taxes, is the power to destroy."

If the constitutional amendments I have suggested are submitted by this Legislature, I assure you I shall make a personal public campaign for their adoption. I want the people of this State to have the real facts; and when they get the facts I am confident they will adopt these amendments which will authorize the Legislature to really do something for them. It is small wonder that we hear complaint about taxes when only a portion of those who own property are paying taxes upon that property. Necessarily it increases the amount

that must be paid by those who do pay. If we will collect on the 45% or 50% of property now escaping taxation, it will not only help meet our pressing financial problems, but will reduce the amount now being paid by those who have to pay.

8.

Natural Resource Tax

The platform of the Democratic Party reads: "We favor a substantial increase in the tax on natural resources including oil, gas and sulphur."

During the last Called Session and subsequent to the adoption of the Democratic platform, the Forty-fourth Legislature made a small increase in the tax on natural resources. This was done in the closing days of the session when it was apparent that unless the amount of increase was accepted the session would be fruitless. As most of you know, that special session was called for the purpose of financing old age assistance. Notwithstanding the increase in natural resources taxes went into the General Fund, yet other taxes were diverted from general revenue and placed in the Old Age Assistance Fund. I think it will not be denied that representatives of the natural resource industries before the Legislature were indeed happy to get off with such a slight increase.

Since that session of the Legislature these industries have improved their condition. This is particularly true of the oil industry. They have already had a substantial increase in the price of their product and another increase is definitely pending. I suspect it may be even now held up in order to discourage any additional efforts at an increase in State taxation.

My friends of the Legislature, all of us want to be fair to these industries. The prosperity of our State depends to a large extent upon their welfare. There is no denying, however, that they are not contributing a full just share to the burdens of government.

With particular reference to the oil industry—not to single it out—but because it is necessary to discuss the problem frankly. For years now the Legislature of Texas has enacted practically every conservation statute and enforcement measure desired by this industry; not only to prevent

waste but to stabilize the business, to make it profitable and prosperous. Largely the statutes passed have been designed to prevent physical waste of our natural resources. Yet there can be no denying that the indirect result has been to stabilize the industry and insure to those engaged in it a generous return upon their investment.

I think that an industry that has asked and received such consideration at the hands of the law making body of this State and which no doubt will ask its help again, should not object to the demands of the party platform for a substantial increase in the tax on oil. The State government which has secured so much to them must be carried on. It is being called upon to assume additional burdens and responsibilities for purposes hitherto undreamed of. The principle of taxation upon a basis of ability to pay should certainly be extended to the oil, gas, sulphur and other natural resource industries.

It will be pointed out in opposition to this recommendation that although Oklahoma and Louisiana require a larger production tax than Texas, yet that in those States the oil industry does not have the heavy burden of the ad valorem taxes which must be paid in Texas. I remind those who present this argument that Oklahoma and Louisiana have income taxes and Texas has levied none upon them.

9.

Increases in Franchise Tax Law

The platform of the party favors a revision of all the franchise tax laws to increase revenue from that source and particularly "a reasonable franchise tax against the gross assets of oil and gas pipe line companies."

A franchise tax is levied for the privilege of corporate existence in the State. It is not a property tax but is levied upon the theory that unusual advantages, benefits and privileges are secured by corporate organization and operation.

Under our laws and decisions of the Supreme Court of the United States, a corporation enjoys and exercises almost every privilege given to the individual; and in many respects it has advantages over operation of a business by an individual. The liability of stockholders in a corporation is tremendously less than if

they were operating as partners or as individuals. A person's life is circumscribed by time; but with our lenient corporation laws, permitting the renewal of charters and permits to do business within the State, corporations can continue beyond the span of human life.

Bear in mind, therefore, that a franchise tax is paid for a special and unusual privilege, the right of a powerful group, operating as a fictitious person, to exist and do business within the State.

In my message to the Legislature two years ago I recommended specific amendments to the franchise tax laws; and particularly an amendment to the law levying a franchise tax of only 1-5th upon pipe line companies. I renew those recommendations; and in addition desire to give you the following information:

Under the present law the franchise tax is determined by computing the total issued capital stock plus the surplus, plus long term indebtedness; and charging against this total 60c for every Thousand Dollars for the first Million Dollars; and 30c for each Thousand Dollars for all over a Million Dollars. Please note that the taxes graduate downward, not upward, after the first Million Dollars. In my opinion, this is clearly discriminatory against the smaller and in favor of the larger corporations.

I recommend that this be corrected in such manner that the franchise tax system shall employ the principal of ability to pay. Under the present law a corporation with a Million Dollar capitalization earning a net profit of Two Hundred Thousand Dollars a year pays no more franchise tax for its privilege to do business in Texas than the corporation of similar capitalization losing that amount in a year's operation. This is unjust and inequitable.

I pointed out two years ago that utilities, railroads and oil pipe lines pay substantially less under the present law than an ordinary business corporation. Insurance companies and national banks are completely exempt from the present tax law. The utility corporation is not required to pay a tax on long term indebtedness (the chief item of capital), although all other classes of corporations are required to pay on this item.

As I pointed out two years ago, under the present law corporations

which are required to pay an intangible assets tax, such as railroads and oil pipe lines, pay only 1-5th of the franchise tax paid by the ordinary business corporation. This reduction of 4-5ths is theoretically given to railroads and oil pipe line corporations upon the theory that they are paying an intangible assets tax. The intangible assets tax, however, is a property tax. It is not a privilege or new tax, but is simply a method of computing the amount to be paid upon intangible assets, which are property just as much as real estate or visible personal property.

The oil pipe line corporations have not even paid the intangible assets tax to the State. Practically all of them except the Stanoline are contesting its constitutionality at the present time in the courts. In any event, however, with them as with the railroads, the intangible assets tax is not a privilege tax. It is a property tax which they should pay just as others pay on visible property. I respectfully submit that there is no justification for a reduction in favor of the railroads, the utilities and oil pipe lines of the franchise tax in their behalf, when they are enjoying the unusual benefits of corporate life in Texas just as every other corporation does. They ought to pay franchise taxes upon the same basis.

In my message two years ago, I advised the Legislature that twenty pipe line companies reported to the Secretary of State a total net profit of seventy-eight million dollars, an average of 25% in a single year upon their investment; and that at the same time these twenty companies, altogether, paid the State the magnificent sum of \$10,030.79 in 1-5th of a franchise tax. Even if they paid all the 5-5ths, the total tax would only have been \$55,000.00.

The situation has not changed much in the meantime. According to reports made to the Interstate Commerce Commission, eight companies, all but one of them operating within the State of Texas, reported the highest net incomes. One, the Stanoline Pipe Line Company, reported the highest net income, \$8,800,676.00. This company paid the State of Texas only \$95.77 for the privilege of operating in Texas during the year beginning May 1, 1936, and ending April 30, 1937. The Humble Pipe Line Company, Magnolia Pipe

Line Company, the Sinclair-Prairie Pipe Line Company, the Shell Pipe Line and Texas Pipe Line Companies reported total profits in one year of \$41,010,822.00. The total franchise taxes paid to Texas by these corporations for the privilege of operating within our State for one year was \$5,647.99.

Yet, the representatives of these same companies appearing before this Legislature to protect their interests oppose an increase in the franchise tax law, and say we ought to have a general sales tax to make the average man "tax-conscious" and to make him appreciate his government. I think they ought to show appreciation to the Government of the State which has probably contributed more to their prosperity than any other in the Union by agreeing to the levy of a fair franchise tax.

Each one of these pipe line companies is allied with other corporations, bearing practically the same name, controlled by the same holding company, engaged in the producing, refining and marketing of petroleum products. It is a known fact that the transportation of petroleum—the pipe line branch of the business—has for years earned stupendous profits and enabled the sister companies—all controlled by parent concerns—to carry on the other branches of the business, sometimes at a loss, supported by pipe line profits. This has constituted the unfairness of competition to every independent individual or company in the field; and such independent concern must sell, produce, refine and market petroleum products upon the same competitive basis as the integrated companies; and yet in effect pay to its competitor through the allied pipe line company a liberal charge for transporting oil through such lines.

You and I, every one of us, have pledged ourselves in our campaigns and in our oaths of office, to equal and uniform taxation. Untaxed millions of pipe line company profits constitute the most unequal taxation that can be found. I earnestly urge this Legislature to correct promptly these defects in our franchise tax laws; and, at the same time, provide the State with needed revenue.

10.

Other Taxes

The platform of our Party likewise commits us to an increase in inheri-

tance taxes and to a restoration of the tax on breweries and beer dealers; likewise to revision and strengthening of our present laws to prevent evasions and simplify collections of delinquent taxes. A number of bills covering these subjects will no doubt be promptly introduced.

Conclusion

Members of the Forty-fifth Legislature, I ask your considerate cooperation with me in every part of this program you can conscientiously support. I pledge you like cooperation on my part. I have moved my office to the second floor with you so as to be available for conferences at any time. I have declined outside invitations during this session so as to be here to work with you.

To some it may appear that I have spoken rather frankly, I think this is necessary, however, if we are to understand one another. I recognize that I am subject to error in my calculations, in my judgment and in my opinions. I recognize that in practically every recommendation I have made there may be room for criticism and honest differences of opinion.

I do not expect any Member of this Legislature to blindly sacrifice his own principles or honest judgment at any time. What I have said in this message, or what I may say hereafter, is in this spirit; and I accord every other public servant the same right. I shall at no time deal in personalities and I want only to be accorded the privilege of expressing myself at any time as freely as you would extend the same right to a Member of the Legislature. Some of us may differ as to the means to be employed to effectuate the ends of government; but all of us can agree that we have a big task ahead, one which challenges every moment of our time, every faculty and patriotic impulse we can summon!

Our financial problems, as outlined in this message and as they may be accentuated by increased demands in the new fields in which we have set our plows, are bigger than we suspected. They are not dismaying, however; they can be overcome! Even this financial picture has its brighter pages. Most of the departments of government operate on a cash basis. We are already taking care of our neediest, aged citizens. Increases of the deficit in the General Fund caused by payments upon relief bonds, while

increasing the deficit to that extent, have at the same time resulted in proportionately lowering the public debt.

Texas today stands among the highest in financial rating as a state. It has one of the lowest, if not the lowest, bonded indebtedness of any state in the Union, less than fifteen million dollars! And that a debt for money spent to feed hungry people!

By contrast with other states our State indebtedness, even with the deficit thrown in, is negligible. Arkansas and Louisiana, for instance, owe millions of dollars upon their state bonds; the former, a State not rich as we in natural resources and in opportunity, struggling under a bonded indebtedness of more than a hundred million dollars.

In recent months I have traveled in every state bordering on Texas. Everyone of them has what in effect amounts to a general sales tax; and practically all of them have income taxes as well. We would be dismayed had we levied all these taxes and more as has been done in Colorado; and then were confronted with the additional task of financing an old age pension of \$45.00 per month for every person over 60.

As you are well aware, it has been my privilege during this Centennial year to visit in a number of states; and from everyone of them I have returned thankful to the Almighty that I live in Texas and that the people have blessed me with The Governorship of the Lone Star State. The great Centennial of Texas Independence, in my judgment, has contributed more to the material development of our State than anything that has happened since the Battle of San Jacinto; but it has done more than advance the material well being of Texas. It has stimulated and revived the Texas spirit; it has aroused in us grateful appreciation of the virtues, the patriotism and the ideals of our forebears. We must keep that spirit alive; we must teach it and pass it on to our children as the greatest Texas heritage.

After all, we face no problems compared with those which fronted our forebears a hundred years ago. Our financial problems dealing with millions are puny compared with those of the bankrupt government that struggled on and laid the foundation for this future State. Where then both nature and superior forces

of men seemed pitted against them, all the odds are now upon our side.

Texas is rich, rich in resources, richer in people, richest in its possibilities. If we will but take hold in the spirit of our traditions and keep constantly before us the star of patriotism, we can settle all our problems without substantial hurt to anyone. Building upon the foundation laid by our forebears, devoted to the Constitution they created, like the Children of Israel of old we can "go forward." We can better and make happier the State which is the ideal and envy of all others, the Texas it is our privilege to serve.

Sincerely and with all respect,

JAMES V. ALLRED,
Governor of Texas.

SENATE RETIRES

At the conclusion of the address, the Senate, at 12:40 o'clock p. m., retired to the Senate Chamber.

RECESS

Mr. Smith of Tarrant moved that the House recess to 2:30 o'clock p. m., today.

Mr. Leonard moved that the House recess to 10:00 o'clock a. m., tomorrow.

Question first recurring on the motion by Mr. Smith of Tarrant, it was lost.

Question next recurring on the motion by Mr. Leonard, it prevailed, and the House, accordingly, at 12:45 o'clock p. m., took recess to 10:00 o'clock a. m., tomorrow.

APPENDIX

STANDING COMMITTEE REPORTS

The Committee on Appropriations filed a favorable report on House Bill No. 1.

REPORT OF THE COMMITTEE ON ENGROSSED BILLS

Committee Room,
Austin, Texas, January 13, 1937.
Hon. R. W. Calvert, Speaker of the House of Representatives.

Sir: Your Committee on Engrossed Bills, to whom was referred

H. B. No. 1, A bill to be entitled "An Act making an appropriation of

the sum of Two Hundred and Fifty Thousand (\$250,000.00) Dollars or so much thereof as may be necessary, out of any funds in the State Treasury, not otherwise appropriated, to pay the contingent expenses, and to pay the mileage and per diem of Members and the per diem of officers and employees of the Regular Session of the Forty-fifth Legislature, and to pay any unpaid accounts of the Third Called Session of the Forty-fourth Legislature, and declaring an emergency."

Has carefully compared same and finds it correctly engrossed.

LOUISE SNOW PHINNEY,
Chief Clerk.

SECOND DAY

(Continued)

(Thursday, January 14, 1937)

The House met at 10:00 o'clock a. m., and was called to order by Speaker Calvert.

PROVIDING FOR COMMITTEES TO COUNT VOTES CAST FOR GOVERNOR AND LIEUTENANT GOVERNOR

The Speaker laid before the House, for consideration at this time, the following resolution:

S. C. R. No. 2, Providing for committees to count votes cast for Governor and Lieutenant Governor.

Be It Resolved by the Senate of Texas, and the House of Representatives concurring, That the President of the Senate appoint five Senators and the Speaker of the House of Representatives appoint five Members of the House of Representatives to count the votes in the recent election for Governor and Lieutenant Governor and to make all necessary arrangements for their inauguration.

The resolution was read second time, and was adopted.

In accordance with the above action, the Speaker announced the appointment of the following committee on the part of the House: Mr. Knetsch, Mr. Baker, Mr. Cleveland, Mr. McFarland and Mr. Metcalfe.

CONCERNING ADOPTION OF TEMPORARY JOINT RULES

The Speaker laid before the House, for consideration at this time, the following resolution: